

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

_____)	
In Re:)	
)	
POLAROID CORPORATION, <i>et al.</i> ,)	Chapter 11
)	Case No. 01-10864 (PJW)
Debtors.)	Jointly Administered
)	
_____)	

SETTLEMENT AGREEMENT

WHEREAS, on or about October 12, 2001, Polaroid Corporation, with its affiliated debtors and debtors in possession (collectively, the “Debtors,” known as, after the effective date of the Plan, as defined below, “Reorganized Polaroid”), filed a voluntary petition for reorganization under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101, *et seq.*, as amended (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”); and

WHEREAS, on or about July 26, 2002, the United States, on behalf of the Environmental Protection Agency (“EPA”), filed a proof of claim against the Debtors, which was later assigned number 7060 (the “Claim”);

WHEREAS, the Claim alleges that, based on the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 U.S.C. §

9601 *et seq.*, the Debtors are liable jointly and severally for an estimated \$50,000,000 in future response costs to be incurred by the United States, on behalf of the EPA, at the Peterson/Puritan Superfund Site, located in the towns of Cumberland and Lincoln, Rhode Island (the "Site");

WHEREAS, the Claim was asserted as a general unsecured claim on which no judgments have been rendered and no payments by Reorganized Polaroid have been made;

WHEREAS, on October 4, 2002, the Bankruptcy Court approved Wind Down Associates LLC's retention as future Plan Administrator for Reorganized Polaroid; and

WHEREAS, the parties hereto, without admission of liability by any party, desire to settle, compromise and resolve the Claim in accordance with the terms and conditions of this settlement agreement (the "Settlement Agreement");

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration receipt of which is hereby acknowledged;

IT IS HEREBY STIPULATED and agreed to by and between the parties hereto, subject to approval by the Bankruptcy Court, as follows:

1. The Claim shall be allowed as a general unsecured claim in the amount of \$11,000,000 (the "Allowed Claim"), and paid as a Class 3 General Unsecured Claim

without discrimination in accordance with the terms of the Third Amended Joint Plan of Reorganization of Primary PDC, Inc. (f/k/a Polaroid Corporation) and its Debtor Subsidiaries and the Official Committee of Unsecured Creditors (the "Plan"), which was confirmed by the Bankruptcy Court on November 18, 2003, and became effective on December 17, 2003. In no event shall the Allowed Claim specified in this Settlement Agreement be subordinated to any other General Unsecured Claims pursuant to any provision of the Bankruptcy Code or other applicable law that authorizes or provides for subordination of allowed claims, including without limitation Sections 105, 510 and 726(a)(4) of the Bankruptcy Code. Distributions received by the EPA will either be: (a) deposited in the Peterson/Puritan Superfund Site Special Account within the EPA Hazardous Substance Superfund to be retained and used to conduct or finance response actions at or in connection with the Peterson/Puritan Superfund Site, including but not limited to Operable Units One, Two, and potential Operable Unit Three, or be transferred by EPA to the EPA Hazardous Substance Superfund; or (b) be deposited into the EPA Hazardous Substance Superfund.

2. Distribution on the Allowed Claim shall be made in the manner specified in the Plan after approval of this Settlement Agreement by the Bankruptcy Court. The Plan Administrator shall use its best efforts to make an initial distribution on the Allowed Claim within thirty (30) days of the Bankruptcy Court's order approving the Settlement Agreement. Any remaining distribution owed to EPA pursuant to this

Settlement Agreement shall be made by the Plan Administrator, using best efforts, within ninety (90) days of the initial distribution.

3. Payment on the Allowed Claim shall be made to:

U.S. EPA Superfund
P.O. Box 371003M
Pittsburgh, PA 15251

Copies of all distributions and related correspondence to the United States shall be sent to:

Environmental Enforcement Division
Environment & Natural Resources Division
U.S. Department of Justice
P.O. Box 7611
Washington, D.C. 20044
Ref. DOJ File No. 90-11-3-07808

Helena A. Healy
Office of Enforcement and Compliance Assurance
U.S. Environmental Protection Agency
1200 Pennsylvania Ave., N.W. - Mail Code 2272A
Washington, D.C. 20460

4. The amount of net cash received by the EPA as a result of the distribution(s) to be made on the Allowed Claim, and not the amount of the Allowed Claim, shall reduce the liability of non-settling potentially responsible parties to the EPA for the Site.

5. In consideration of the distributions that will be made by Reorganized Polaroid under the terms of this Settlement Agreement, and except as provided in paragraph 6 of the Settlement Agreement, the United States, on behalf of EPA, covenants not to bring

a civil action or take administrative action against the Debtors and Reorganized Polaroid pursuant to Sections 106 and 107 of CERCLA and Section 7003 of RCRA relating to the Site, including but not limited to Operable Units One, Two, and potential Operable Unit Three. This covenant not to sue is conditioned upon the complete and satisfactory performance by Reorganized Polaroid of its obligations under this Settlement Agreement. This covenant not to sue extends only to the Debtors and Reorganized Polaroid, and, without in any way limiting the covenant not to sue and the reservations thereto set forth in paragraph 6, below, and notwithstanding any other provision of this Settlement Agreement, such covenant not to sue shall also apply to the Debtors' successors and assigns, officers, directors, employees, and trustees, but only to the extent that the alleged liability of the successor or assign, officer, director, employee, or trustee of any Debtor and of Reorganized Polaroid is based solely on its status as and in its capacity as a successor or assign, officer, director, employee, or trustee of any Debtor and of Reorganized Polaroid hereto. This covenant not to sue extends only to the persons identified in this paragraph and does not extend to any other person.

6. The covenant not to sue set forth in the previous paragraph does not pertain to any matters other than those expressly specified in the Claim. The United States, on behalf of EPA, reserves, and this Settlement Agreement is without prejudice to, all rights against the Debtors and Reorganized Polaroid with respect to all other matters not expressly specified in the Claim, and specifically with respect to: claims based on a

failure by Reorganized Polaroid to meet a requirement of this Settlement Agreement; claims for any site other than the Site; and liability for disposal of CERCLA hazardous substances at the Site after the effective date of this Settlement Agreement by Reorganized Polaroid.

7. With regard to claims for contribution against the Debtors and Reorganized Polaroid for matters addressed in this Settlement Agreement, the Debtors and Reorganized Polaroid are entitled to such protection from contribution actions or claims as is provided by CERCLA Section 113(f)(2), 42 U.S.C. § 9613(f)(2), provided, however, that Reorganized Polaroid waives any contribution protection with respect to Remedial Investigation/Feasibility Study costs.

8. Reorganized Polaroid covenants not to sue and agrees not to assert any claims or causes of action against the United States with respect to the Site, including but not limited to: any direct or indirect claim for reimbursement from the Hazardous Substance Superfund with respect to the Site, any claims for contribution against the United States, its departments, agencies or instrumentalities with respect to the Site, and any claims arising out of response activities at the Site. Nothing in this Settlement Agreement shall be construed to constitute preauthorization of a claim within the meaning of Section 111 of CERCLA, 42 U.S.C. § 9611 or 40 C.F.R. § 300.700(d).

9. Nothing in this Settlement Agreement shall be construed to create any rights in, or grant any cause of action to, any person not a party to this Settlement Agreement.

10. Reorganized Polaroid's entry into this Settlement Agreement will be subject to Bankruptcy Court approval. Reorganized Polaroid agrees to exercise their best efforts to obtain approval of the Bankruptcy Court. This Settlement Agreement will be lodged with the Bankruptcy Court and submitted for public comment for a period of thirty (30) days following notice of the Settlement Agreement in the Federal Register. The United States reserves the right to withdraw or withhold its consent if the public comments regarding the Settlement Agreement disclose facts or considerations which indicate that the Settlement Agreement is inappropriate, improper, or inadequate.

11. If this Settlement Agreement is not authorized and approved by the Bankruptcy Court, this Settlement Agreement shall be of no force and effect, whereupon nothing herein shall be deemed an admission of any fact or waiver of any right of either party with respect to the matters contained herein.

12. This Settlement Agreement represents the complete agreement of the parties hereto on the matters referred to herein and supersedes all prior agreements, understandings, promises and representations made by the parties hereto concerning the subject matter hereof. This Settlement Agreement may not be amended, modified or supplemented, in whole or in part, without the prior written consent of the parties hereto and the approval of the Bankruptcy Court.

FOR THE UNITED STATES OF AMERICA

1.18.05
Date

THOMAS L. SANSONETTI
Assistant Attorney General
Environment and Natural Resources Division
U.S. Department of Justice

1/4/05
Date

JONATHAN A. MARKS
Environmental Enforcement Section
U.S. Department of Justice

12-24-04
Date

ROBERT W. VARNEY
Regional Administrator
U.S. EPA, Region 1

12/21/04
Date

MICHELLE LAUTERBACK
Enforcement Counsel
U.S. EPA, Region 1

FOR REORGANIZED POLAROID

Wind Down Associates LLC, as Plan
Administrator for Reorganized Polaroid

Nava Hazan, Esq.

Akin Gump Strauss Hauer & Feld LLP
590 Madison Avenue
New York, New York 10022

(Attorney for Plan Administrator)